

**Delaware Expenditure Review Committee
Blue Ball Barn – Hay Room – Wilmington, DE
Friday, October 9, 2015**

The Delaware Expenditure Review Committee met on Friday, October 9, 2015 at Blue Ball Barn in Wilmington, Delaware. The following committee members and guests were present:

Committee Members:

Chairman Fred Sears, Delaware Community Foundation
Ann S. Visalli, Office of Management and Budget
Jack Riddle, Community Bank
Mike Morton, Controller General's Office
Jeff Taschner, Delaware State Education Association
Dennis Greenhouse, Dennis E. Greenhouse Consulting
Lincoln Willis, Willis Chevrolet
Rob McMurray, Christiana Care
The Honorable Joshua Martin, DEFAC
Ed Ratledge, University of Delaware

Guests:

Brian Maxwell, Office of Management and Budget
Debra Gerardi, Office of Management and Budget
Meaghan Brennan, Office of Management and Budget
Jessica Eisenbrey, Office of Management and Budget
Mike Jackson, Controller General's Office
John Cape, PFM
Jennifer Lydic, PFM
Geoff Stewart, PFM
Randy Bauer, PFM
Lauren Vella, General Assembly
Kim Siegel, Department of Justice
Mike Barlow, Office of the Governor
Sean Finnigan, Delaware House of Representatives
Paul Morrill, Committee of 100
Stephanie Scola, Department of Finance
Kelsey Scharmberg, University of Delaware
Alysia Vahlooy, University of Delaware
Jonathan Kirsch, AHA/ASA
Arian Hitchens, Auditor of Accounts
Rick Geisenberger, Department of State
John Flaherty, Delaware Coalition for Open Government
Russ Larson, Byrd Group

Introductions/Sign In

Chairman Sears called the meeting to order at 1:02 p.m. Introductions of the committee members were given.

Public Comments

There were no public comments. Chairman Sears asked that the public not present questions during the course of the meeting, but instead comment during the designated time or write down any comments and address at the end of the meeting if time permits.

Committee Purpose and General Planning

Chairperson Sears opened with an overview of the committee's purpose, which is to look into all areas and see where expenses could potentially be cut. Chairman Sears stated that this will not be an easy task and that there are no areas that are off of the table. Director Visalli made note in regard to public comments. She stated that for future meetings the committee may adjust where this item is listed on the agenda for public comments. Chairman Sears said he would also like to hold to the start and finish times for each meeting.

Expectations of Support from OMB and PFM

Director Ann Visalli stated that she and her team will be staffing the expenditure review committee meetings. Minutes will be taken at each meeting.

Randy Bauer, PFM, gave an overview of the company stating it was founded in 1975 and includes Public Financial Management Inc., which is the nation's leading financial advisory firm. Mr. Bauer reviewed PFM's management and budget consulting services which include the following: fiscal recovery and budget, organization improvement, workforce consulting and public private partnerships. A list of recent state practice projects as also provided. PFM will be available to present at upcoming meetings as they are experts in the budget and expenditure area and have an understanding of the State's finances.

PFM will provide information on where Delaware stacks up and how it relates to other surrounding states and also provide information on other states that share similar characteristics to Delaware.

Expenditure Overview

Director Visalli stated that the expenditure review presentation will provide information as a point of reference to the budget and consistent with DEFAC numbers. DEFAC is a public/private partnership with members appointed by the Governor that prepares and approves revenue and expenditure forecasts. The DEFAC estimates determine the amount of general obligation debt the State may issue, the Rainy Day Fund level and the appropriation limit for each fiscal year.

Director Visalli also presented the budget cycle for a fiscal year and the timeline of DEFAC meetings. The cycle illustrates the process from which the budget is initiated to being finalized as a bill. This is a year round process that involves each agency, the Governor and legislators.

Brian Maxwell provided an overview of the Fiscal Year 2015 actual DEFAC expenditures. This overview included the following categories: personnel cost, Medicaid, contractual services, grants, debt service, supplies and materials and capital outlay. All categories were discussed in more depth throughout the presentation.

Mr. Maxwell also provided the committee members with a financial forecast for Fiscal Year 2017 and what those cost drivers include.

During the course of the presentation there was discussion and more information requested on the following items:

- Chairman Sears would like to see an expenditure breakout of higher education institutions (including University of Delaware, Delaware State University and Delaware Tech). Director Visalli stated that we could provide that information. In regard to Medicaid, Chairman Sears would also like a breakout of children under the age of 18 and people over 65 (dual eligible population) who qualify for Medicaid.
- The pension plan was discussed and it was asked if PFM could gather information from others states on if they are giving health benefits to their pensioners.
- Mr. McMurray had questions in regard to energy contracts. OMB will be providing information on the out year commitments.

At the conclusion of the presentation, Chairman Sears stated that this was a good overview and asked that the committee members recommend areas that they would like to see in depth coverage on. The committee will need to look into some departments. Below are some recommendations from the committee members.

- Dennis Greenhouse – FTEs vs. contractors.
- Robert McMurray – Labor metrics, employee health benefits and the pension plan.
- Judge Josh Martin – Asked for the background and timing of the State Employee Health Plan Task Force. Director Visalli provided the committee with a brief overview on how the committee was formed and what they are tasked with accomplishing. Director Visalli stated that she would provide information to the committee.
- Lincoln Willis – Medicaid.
- Chairman Sears – Medicaid; facilities owned by the State – what is and not being used and what could be consolidated. Chairman Sears suggested the committee examine the following agencies: Correction, DHSS, DEDO (county/state share for economic

development projects), Labor and Kids. Also, look into various programs and projects that may no longer need to be in place.

Other Business

The next Delaware Expenditure Review Committee meeting is scheduled for Friday, October 23 at 1:00 p.m. at Blue Ball Barn – Hay Room, Wilmington, Delaware. The meeting was adjourned at 3:01 p.m.